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**From:**

**Sent:** Tuesday, September 02, 2008 1:35 PM

**To:**

**Subject:** RE: One more question

Hi

I spoke with [redacted] about your questions, and he agreed with the below conclusions.

First, with respect to the ordering of the redemption/basis step-up and subsequent sale, so long as the redemption occurs before the sale, any permissible basis step-up will be in place and will impact the amount of gain recognized on the sale.

For the 736(b) payments, it would be the S Corp who would recognize the payments. However, as you stated in your e-mail, the payments aren't recognized by the S Corp until actually made under 736(b).

I'm a little confused on your last question, i.e. where the partnership terminates in Year 1. How would the partnership be terminating?